KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

JUNE EXAMINATION

2025

M.S Mnguni
EXAMINER
25/06/2025

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, **penalties for foreign items are** applied only if the candidate is not losing marks elsewhere in the question **for that item (no penalty for misplaced item)**
2. Penalties for placement or presentation **(e.g. details) are** applied only if the candidate is earning marks on the figures for that item
3. Unless otherwise stated, give full marks **for correct answer.** If answer incorrect, **mark** the workings.
4. If a pre-adjustment figure is shown as the final figure, award part mark as a **working** mark for that figure (not the method mark for the answer). *Note:* if **figures are stipulated in memo for components** of workings, these do not carry the method for final answer **as well.**
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. *Where penalties are applied, the marks for that section of the question cannot be a final negative.*
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +,-,x,÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.

This marking guideline consists of 10 pages.

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QUESTION 1

1.1

	Calculate	Answer
	Additions	
(i)	2 946 400 – 1 516 400	1 430 000 ✓
(ii)	**Disposal at Carrying Value** 180 000 – 62 400 = 117 600 x 20/100 x10/12 19 600✓✓ 117 600 ☑ – 19 600☑ Operation	98 000☑ operation one part correct
(iii)	**Depreciation** 330 000 – 117 600 = 212 400 x 20/100 = 42 480✓✓ **(old)** = 19 600 ☑ **(sold)** Operation 411 000 X 20/100 X 2/12 = 13 700 ✓✓ **(new)**	75 780 ☑ operation one part correct
(iV)	**Additions** 61 100 -1 = 61 099✓ 66 099 – 61 099 = 5 000✓ X 100/10 X 12/2	300 000☑ operation one part correct

15

1.2 **Calculate the value of the closing stock using the first-in-first out (FIFO) method of omitted stock.**

(1 [illegible] 00) X 28 = 42 0[illegible]

400 X 27 = 10 800

= 52 800 closing stock

Operation one part correct excluding the method above

4

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1.3 **Statement of Financial Position on 28 February 2025.**

Assets		
Non-current assets		
Tangible assets		
Fixed deposit		
Current assets Operation	1 363 229 ☑	
Inventory (1 192 600✓ + 52 800 ☑ see 1.2)	1 245 400 ☑	
Trade and other receivables (127 000✓ -17 000 - 4 400 + 8 000)	113 600 ☑	
Cash and cash equivalents	4 229 ✓	
Total assets Operation	5 405 000 ☑	
Equity and liabilities		
Shareholders' equity	3 640 200	
Ordinary share capital	**2 140 200**	
Retained income	**1 500 000**	
Non-current liabilities	1 200 000	
Loan (1 386 000 – 186 000)	**1 200 000** ✓✓	
Current liabilities ope	**564 8**	
Trade and other payables (160 000✓ - 17 000✓ + 25 000✓ + 8 800✓)	**176** 800	
SARS-Income tax (252 000 – 230 000)	22 000	
Shareholders for dividends	125 000 ✓	
Current portion of loan see NCL	186 000 ✓✓	
Bank overdraft	55 000 ✓	
Total equity and liabilities operation	5 405 000 ☑	26

TOTAL MARKS
45

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QUESTION 2

2.1 **Ordinary Share Capital Note on 28 February 2025**

AUTHORISED SHARES: **1 500 000 SHARES** **ISSUED SHARES:**			
900 000	Shares in issue	7 200 000 ✓	
100 000	Shares issued @ R8.40	840 000 ☑	
(60 000)	Buy back of shares @ R8.04 operation	(482 400) ☑	
940 000 ☑	Operation	7 557 600 ✓	8

2.2 **Retained income Note on 28 February 2025.**

Balance at the beginning		141 500 ✓	
Net profit after tax (93 100)70/?		683 900 ✓✓	
Buy back of shares (60 000 x 0.96)		(57 600) ✓✓	
Dividends	operation one part correct	(456 800) ☑	
Paid (1 000 000 X 0.25)		250 000 ✓✓	
Final		**206 800**	
Balance at the end	operation one part correct	311 000 ☑	9

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2.3 **Cash Flow Statement for the year ended 28 February 2025**

Cash flow from operating activities	
Cash generated from operations	
Interest paid	(143 000) ✓
Dividends paid (360 000✓ + 250 000✓)(360 000+ 456 800- 250 000) operation one part correct	(610 800)
Taxation paid (- 293 100✓ + 11 300✓ + 21 800✓) operation one part correct	(260 000) ☑
Cash flow from investing activities	(516 [illegible])
Purchases of Fixed assets operation one part correct (8 775720✓+ 123 600✓+111800✓ – 8 430 720✓) OR (8 430 720 -111800-12 [illegible] 720)	(580 4[illegible])
Proceeds from sale of fixe[illegible]	111 [illegible]
Changes in financial assets (100 000 – 150 000)	(50 000)
Cash flow from financing activities	850 000 [illegible]
Proceeds from shares issued see 2.1	840 000 ☑
Buy-back of shares [illegible]000 x 9) OR (48 [illegible] •5760) two or nothing	(540 000) ✓
Changes in loan (1 [illegible]0 000 – 850 [illegible])	550 000 ✓
Net change in cash [illegible]d cash equi[illegible]lent operation one part correct	377 700 ☑
Cash and cash equ[illegible]lent at the beginning (25 000✓ – 142 520✓	(117 520) ✓
Cash and cash equivalent at the end	260 180 ✓

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2.4.1 Acid-test ratio

(996 480 – 448 000)✓: 553 600✓

0.9 : 1☑ one part correct accept 1:1

3

2.4.2 Debt/equity ratio

1 400 000✓ : 7 868 600✓

0.2 : 1☑ one part correct

3

2.4.3 Return on shareholders' equity (ROSHE)

$$\frac{683\,900\ \checkmark}{\tfrac{1}{2}\checkmark\ (7\,868\,600\checkmark + 7\,341\,500\checkmark)} \times \frac{100}{1}$$

8.9%☑ one part correct

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TOTAL MARKS
55

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QUESTION 3

3.1 **Chris is of the opinion that HILLCREST Ltd is handling its working capital more effectively and is in a better liquidity situation than BERGVILLE Ltd. Explain and quote THREE financial indicators to support his opinion.**

Financial indicator ✓ ✓ ✓
Quoting of figures and explanation ✓ ✓ ✓

A combined explanation may be provided. Figures must be provided but not necessarily for both companies; candidates cannot get full marks if superfluous indicators are used; if candidates provide additional irrelevant indicators, search for the correct ones in the answer provided by the candidates and award marks accordingly. For those who provide more than three options, penalty of -1 for an irrelevant indicator (max -2)

- Current ratio of HILLCREST Ltd is 1,5: 1 and BERGVILLE Ltd is 6,0: 1 (BERGVILLE Ltd 's ratio is 4 times bigger). HILLCREST has enough current assets to cover his current liabilities whereas BERGVILLE Ltd is holding too much of his funds in the form of current assets which may not result in a return for the business

- Acid test ratio of HILLCREST Ltd is 0,9: 1 and of BERGVILLE Ltd is 2,8: 1 (BERGVILLE Ltd.'s ratio is 3 times bigger). BERGVILLE invested too much cash in Current Assets

- Period of which enough stock is on hand for HILLCREST Ltd is 88 days and for BERGVILLE Ltd is 150 days (5 months) HILLCREST Ltd has enough stock for 3 months which is appropriate for a company selling running shoes as styles of shoes normally change seasonally. BERGVILLE Ltd is holding stock for too long, styles will change and clients will not be interested in buying outdated styles resulting in obsolete stock.

- Debtor's average collection period of HILLCREST Ltd is 25 days which is within the normal/acceptable credit terms and is much lower than the 53 days of BERGVILLE Ltd.

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3.2 **The operating efficiency of BERGVILLE Ltd are better than that of HILLCREST Ltd. Quote and explain ONE financial indicator to support your opinion.**
Good answer = 2 marks each; partial = 1 mark; incorrect = 0

Operating expenses on sales of BERGVILLE 37,9% lower than that of HILLCREST Ltd 44,5%, which indicates that BERGVILLE Ltd has better control of expenses.

Operating profit on sales of BERGVILLE Ltd 10,1% higher than that of HILLCREST Ltd 7.3%, which indicates that apart from the better control over his expenses (BERGVILLE) there has been a slightly higher mark-up% applied as well.

2

3.3 **Which company uses more loan? Quote a financial indicator to support your answer.**

HILLCREST Ltd.
Debt/equity ratio 2:1 for HILLCREST compared to 0,3:1 for BERGVILLE Ltd.✓✓

Explain whether this is a good idea or not. In each case, quote a financial indicator to support your answer.

It is not a good idea. ✓
ROTCE for HILLCREST Ltd is 13,6% which means that the return they are earning is lower than the interest (15%) he is paying on the loan (negative gearing) ✓✓

6

3.4 **Compare and comment on the dividends pay-out policies of the both companies.**

	Financial indicator or explanation thereof with figures.	**Comparison and comment** ✓ ✓ Do not accept comparison of the DPS only. Must mention both companies. Can get 1 mark.
BERGVILLE Ltd	DPS 240 cents ✓ **EPS 410 cents.** ✓ **Or 2 Marks** Distributes **58.5% of** earnings	HILLCREST Ltd is **distributing a** higher **percentage of** income **earned by taking** 5% **from retained** income to keep **shareholders** happy. BERGVILLE Ltd pays 58.5% and **retained** 41.5% **for future** growth.
HILLCREST Ltd	DPS 185 cents. ✓ EPS 176 cents. ✓ Or 2 marks Distributes 105% of earnings	

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3.5 **BERGVILLE Ltd has a better percentage return, earnings and dividends than HILLCREST Ltd. Explain by quoting THREE financial indicators to support this opinion.**

Financial indicator ✓ ✓ ✓

Figures and Explanation ✓ ✓ ✓

- % ROSHE for BERGVILLE Ltd is much higher (21,3%) than interest on fixed deposit of 12%.
- EPS for BERGVILLE Ltd is 410 cents whereas HILLCREST Ltd is only earning 176 cents per share.
- DPS for BERGVILLE Ltd is 240 cents whereas for HILLCREST Ltd it is only 185 cents per share.

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3.6 **Explain why the existing shareholders of BERGVILLE Ltd are happy with this. Quote a financial indicator/figure to support your answer.**

Comparing market price **and NAV** of BERGVILLE Ltd and figures ✓✓

Market price of BERGVILLE Ltd is 750 cents which is higher than the NAV of 609 cents OR market price is 141 cents higher than the NAV.

2

Explain why the existing shareholders of HILLCREST Ltd are very disappointed with this. Quote a financial indicator/figure to support your answer.

Comparing market price and NAV of HILLCREST Ltd and figures ✓✓

Market price of HILLCREST Ltd is 885 cents which is lower than the NAV of 939 cents OR market price is 54 cents lower than the NAV.

2

TOTAL MARKS
30

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QUESTION 4

4.1 **Explain what is meant by Corporate Governance.**

Any valid explanation ✓✓

- It is essentially the set of rules that govern the way companies control and manage the business.

2

4.2 **Provide TWO examples of good corporate governance that would occur in a company.**

Any TWO valid examples ✓✓ ✓✓

- Respect of human rights
- Transparency of executive salaries
- Implementation of code of conduct for employees

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4.3 **Give TWO examples of audit evidence**

Any TWO valid examples ✓✓ ✓✓ Part-mark for partial answers

- Source documents (provided by external organisations, provide verification).
- Records such as asset registers, stock records etc.
- Policies and procedures of the company.
  Check the internal controls and the efficiency of the internal audit.
- Report of an audit committee which assess the internal and external audit processes / internal auditors report on ensuring internal controls.
- Any valid proof of entries in the books or financial statements concerning cash.

4

4.4 **Explain why an independent auditor would want to see that the following GAAP principles that are applied:** ✓✓ ✓✓

- **Matching -** To see if incomes and expenses are recorded in the correct financial period.

- **Going concern-** Statement of Comprehensive Income and Statement of Financial Position are prepared as if there is no intention to stop or limit the operations of the business.

4

M.G

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4.5 Refer to paragraph 3. **Explain why you would be satisfied with this audit report opinion.**

- The auditors have stated that they are satisfied with all aspects of the financial reporting by the directors.
- This is a standard reporting – (fairly presented).
- No negative comment reported.
- The auditors have not stated that the report is qualified or withheld.
- The auditor's report is unqualified.

3

4.6 **To whom is an audit report addressed? Give reason for your answer.**

Shareholders ✓

Reason: ✓✓

Independent auditors are appointed by the shareholders/the shareholders are the owners of the company.

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